

KEY ANACON MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED **1974**
DECEMBER 31,



KEY ANACON MINES LIMITED

(Incorporated under the laws of Ontario on May 4, 1948)

DIRECTORS

D. H. ALLAN Saint John, New Brunswick
A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
DR. A. L. McALLISTER Fredericton, New Brunswick
L. McC. RITCHIE Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE *President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Ass't.-Secretary*

HEAD OFFICE

SUITE 1101, 21 KING ST. EAST Toronto, Ontario

EXECUTIVE OFFICE

GOLDEN BALL BUILDING Saint John, New Brunswick

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO. Saint John, New Brunswick

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders
will be held on Friday, June 6, 1975
at 11:00 o'clock in the forenoon (Toronto time)
in the New Brunswick room,
Royal York Hotel, Toronto, Ontario

KEY ANACON MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors submit herewith their report covering your Company's operations for the year 1974. Also enclosed are the Company's financial statements for 1974 and the auditors' report thereon.

As indicated in the statements, expenditures (net) during the year totalled \$51,694, of which \$25,394 was spent on the Company's property.

During the field season detailed geophysical surveys were carried out on a critical section of the magnetic anomaly located the previous year. A detailed geochemical survey was completed in order to better evaluate the results of the 1973 survey. Two groups of claims were staked adjoining the property; 4 claims to the northwest to protect a prospective drilling location, and 20 claims to the east to protect the possible extension of the magnetic anomaly. In addition, detailed geological mapping was carried out on all rock exposures on the property.

The underground geological plans and cross sections, begun in 1973, were completed during the year. From these plans and sections, two mine models were constructed. At year's end, plans were underway to carry out further exploration and the preparation of a surface geology map.

The Company retained its 500,000 shares of Brunswick Mining and Smelting and received therefrom an initial dividend of 10c per share (\$50,000) in the fourth quarter of 1974. Earnings of Brunswick Mining for 1974 of \$17,090,000 (49.9c per share) have been declared as compared with earnings of \$9,859,000 (28.8c per share) in the preceding year. While no dividend has been paid in the first quarter of 1975, your Directors are anticipating some dividend payment by the company later this year.

Your Company also holds a substantial interest in Chibex Limited, a gold mine in Quebec, which is currently coming into production. During 1974, your Company sold 109,348 common shares of Chibex Limited for \$289,019 and used the proceeds to purchase \$123,000 of that company's 9% convertible sinking fund debenture units due June 30, 1978 for \$268,980 plus accrued interest. Details of this transaction are reflected in the Company's financial statements and described in Note 1 appended thereto.

At the annual shareholders' meeting to be held in June, 1975, the shareholders will be asked to consider, and if thought fit, pass resolutions confirming revisions of the Company's by-laws. These revisions are being made primarily to have the by-laws conform to the provisions of the Ontario Business Corporations Act and with current practice.

There has been no change in the Board of Directors for the current year and all of the Directors are standing for re-election.

On behalf of the Board.

L. McC. RITCHIE, President.

Saint John, N.B.
April 24, 1975

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1974 and the statements of deficit, deferred development and administrative expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants.

Saint John, New Brunswick
January 20, 1975

KEY ANACON MINES LIMITED

BALANCE SHEET — DECEMBER 31, 1974

ASSETS		1974	1973
Current			
Cash	\$	3,045	—
Marketable investments - at cost (quoted market value \$8,550)		16,123	—
Account receivable		1,150	—
Prepaid expenses		946	\$ 948
		<u>21,264</u>	<u>948</u>
Investments in Other Mining Companies (note 1)			
Brunswick Mining and Smelting Corporation Limited		1,752,530	1,752,530
Chibex Limited		136,839	2
		<u>1,889,369</u>	<u>1,752,532</u>
Fixed Assets and Deferred Expenditures			
Mining properties		66,341	66,341
Land, buildings, plant and equipment, at cost		466,895	466,895
Deferred development and administrative expenditures (note 2)		3,685,276	3,633,582
		<u>4,218,512</u>	<u>4,166,818</u>
		<u>\$ 6,129,145</u>	<u>\$ 5,920,298</u>
LIABILITIES			
Current			
Bank overdraft		—	\$ 12,700
Accounts payable and accrued liabilities	\$	21,120	36,449
		<u>21,120</u>	<u>49,149</u>
Other (note 3)			
Bank loan		<u>655,000</u>	<u>575,000</u>
SHAREHOLDERS' EQUITY			
Capital Stock			
Authorized			
10,000,000 Common shares, par value 20 cents per share			
Issued			
8,166,157 Common shares		1,633,231	1,633,231
Contributed Surplus, premium on issue of common shares		<u>4,462,308</u>	<u>4,462,308</u>
		<u>6,095,539</u>	<u>6,095,539</u>
Deficit		<u>642,514</u>	<u>799,390</u>
		<u>5,453,025</u>	<u>5,296,149</u>
		<u>\$ 6,129,145</u>	<u>\$ 5,920,298</u>

Approved by the Board

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

KEY ANACON MINES LIMITED YEAR ENDED DECEMBER 31, 1974

STATEMENT OF DEFICIT

	1974	1973
Deficit at beginning of year	\$ 799,390	\$ 799,390
Gain from sale of investments previously written off (note 1)	289,019	—
	<u>510,371</u>	<u>799,390</u>
Write down of cost of investment in Chibex debenture units to market (note 1)	132,143	—
Deficit at End of Year	<u>\$ 642,514</u>	<u>\$ 799,390</u>

STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

	Balance at beginning of year	Additions	Balance at end of year
Development expenses	\$ 2,197,450	\$ 25,394	\$ 2,222,844
Administrative expenses	1,397,853	26,300	1,424,153
Stores and supplies, at cost	38,279	—	38,279
	<u>\$ 3,633,582</u>	<u>\$ 51,694</u>	<u>\$ 3,685,276</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	1974	1973
Working Capital Derived From		
Proceeds from sale of Chibex shares	\$ 289,019	—
Bank borrowings	80,000	—
	<u>369,019</u>	<u>—</u>
Working Capital Applied To		
Purchase of Chibex units	268,980	—
Development and administrative expenditures	51,694	\$ 94,820
	<u>320,674</u>	<u>94,820</u>
Increase (Decrease) in Working Capital Position	48,345	(94,820)
Working Capital (Deficiency) at Beginning of Year	(48,201)	46,619
Working Capital (Deficiency) at End of Year	<u>\$ 144</u>	<u>\$ (48,201)</u>

NOTE — The bank loan has not been included in the calculation of working capital.

KEY ANACON MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1974

1. INVESTMENTS IN OTHER MINING COMPANIES

The company's investment in Brunswick Mining and Smelting Corporation Limited consists of 500,000 common shares carried at cost, less amounts written down in prior years — quoted market value \$1,850,000; \$2,350,000 in 1973.

At December 31, 1973, the company owned 270,000 common shares of Chibex Limited (of which 150,009 shares are in escrow) which had been written down to a nominal value of \$2 in prior years. During the year, the company sold 109,348 shares for \$289,019 which has been reported as a gain on the sale of shares in the statement of deficit. The remaining 160,652 shares were still carried at the nominal value of \$2 at December 31, 1974 (quoted market value \$200,815.).

During the year the company also bought, for \$268,980, 123 units of Chibex Limited, consisting of \$123,000 of 9% convertible, sinking fund debentures due June 30, 1978 and 12,300 common shares. These units have been written down to their market value of \$136,837 at the year end date.

Thus, the investment in Chibex Limited at December 31, 1974 represents:

160,652 Common shares, at nominal value (cost less amounts written off in prior years)	\$	2
123 Units, at market value (cost less amount written off in current year)		136,837
	\$	<u>136,839</u>

2. DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

Development and administrative expenditures amounting to \$3,685,276 at December 31, 1974 have been deferred with the intention they be amortized by charges against income from future mining operations. Realization of this income is dependent on the known ore body, and additional reserves which may be developed in the future, becoming economic within the framework of metallurgical recoveries, metal prices and other operating costs.

3. OTHER LIABILITIES


The bank loan, payable on demand, is secured by a pledge of shares of Brunswick Mining and Smelting Corporation Limited. It is shown on these financial statements as a non-current liability as the shares pledged against it are shown as a non-current asset.

4. OTHER STATUTORY INFORMATION

There was no remuneration for directors and senior officers (as defined by The Business Corporations Act) charged in the accounts for 1974 or 1973.

5. COMPARATIVE FIGURES

The comparative figures have been restated to conform to the presentation adopted for 1974.



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**KEY ANACON MINES
LIMITED**

**INTERIM REPORT
TO SHAREHOLDERS**

Six months ended June 30, 1974

KEY ANACON MINES LIMITED

P. O. Box 937, Saint John, N. B.

INTERIM REPORT TO SHAREHOLDERS

Six Months Ended June 30, 1974

STATEMENT OF SOURCE AND USE OF FUNDS (subject to audit)	1974	1973
Source:		
From sale of investments	\$ 20,039	\$ —
From bank loan	20,000	—
	<u>40,039</u>	<u>—</u>
Use of Funds:		
Development and administrative expenses	37,618	30,898
Exploration program	11,648	792
Purchase of 300 shs. Noranda Mines Ltd.	16,123	—
	<u>65,389</u>	<u>31,690</u>
Decrease in working capital	25,350	31,690
Working capital (deficiency) at beginning of year (excluding bank loan of \$575,000)	(48,201)	46,619
Working capital (deficiency) at end of period (excluding bank loan of \$595,000 in 1974; \$575,000 in 1973)	<u>\$ (73,551)</u>	<u>\$ 14,929</u>

STATEMENT OF MARKETABLE SECURITIES EXCLUDED FROM CURRENT ASSETS

	1974	1973
500,000 shs. Brunswick Mining and Smelting Corp. Ltd. — at book value	\$ 1,752,530	\$ 1,752,530
300 shs. Noranda Mines Limited — at cost	16,123	—
	<u>\$ 1,768,653</u>	<u>\$ 1,752,530</u>
Quoted market value at June 30	<u>\$ 2,036,000</u>	<u>\$ 2,250,000</u>

At the annual shareholders' meeting held on June 25, 1974, all of the company's directors and officers were re-elected and/or re-appointed.

The Vice President described the exploration program being carried on at the company's property in New Brunswick.

300 shs. of Noranda Mines Limited were purchased with the proceeds from the sale of other investments.

Saint John, N. B.
July 31, 1974

L. McC. Ritchie,
President